

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, September 13, 1996, 7:30 a.m.

Brian Head Resort

A G E N D A

7:30	Call to Order	Gary Herbert
	Claims Administration	Brett Rich
	1997 Premium Contributions	Board of Trustees
	1997 UACIM Budget and Administrative Budget	Board of Trustees
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
9:00	Adjourn	

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF TRUSTEES MEETING

September 13, 1996, 7:30 a.m.
Brian Head Resort, Brian Head, Utah

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Robert Gardner, *Secretary*, Iron County Commissioner
Ken Brown, Rich County Commissioner
Curtis Dastrup, Duchesne County Commissioner
Ty Lewis, San Juan County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Gary Sullivan, Beaver County Commissioner

Board Members Participating by Phone:

Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff

Others Present:

Brent Gardner, UACIM Administrator
Brett Rich, Director, UACIM

Others Participating by Phone:

Kent Sundberg, Utah County Deputy Attorney
Sonya White, UACIM Administrative Assistant

CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

CLAIMS ADMINISTRATION

Brett Rich explained that the Board has been reviewing a couple of different possibilities relating to the claims administration. The Board directed Brett to speak with Jess Hurtado of Aon Risk Resources to find out if he had a better idea as to whether Aon was willing to continue with the Claims Administration and if so, at what price. Jess explained that he does not have a firm commitment at this point but has an indication that they would allow him to go ahead and handle the claims administration at a price of \$210,000 to \$215,000. To establish the claims administration in-house the price would be approximately \$209,570 which includes the Gallagher oversight fee and the TopCat annual claims system fee. McLaren's Toplis submitted a bid of \$190,000. Kurt Hamby of McLaren Toplis out of Sacramento, has been working directly with Doug Alexander and Sue Benton for the last year. Their bid includes the TopCat claims system. Crawford and Company also submitted a proposal at an estimate of \$201,813. The Gallagher oversight fee would be added to each of the third-party proposals. Brett is concerned with bringing the claims administration in-house at the same time as changing the brokerage—too many changes at once. Each proposal anticipates providing a dedicated unit in our building using the same people that UACIM has now. Upon further review and discussion of the bids, Robert Gardner made a motion to select McLaren Toplis as the claims administrators for UACIM. Ty Lewis seconded the motion and the motion carried with Sarah Ann Skanchy opposing.

1997 PREMIUM CONTRIBUTIONS

Brett Rich prepared a summary sheet of the formula discussed at the August 29, 1996, Board of Trustees meeting. A couple of adjustments had been made pursuant to additional renewal applications received. Rich Stokluska adjusted his numbers to show the correct loss fund amount of \$1,592,000 and allocated this amount per county. This formula tempers premiums in a more equitable way for the counties. After extensive discussion the Board felt that some of the counties would take too much of an increase with this formula and ran the numbers with a 5% increase/decrease cap on the final 1997 premium. Once the numbers were determined the premium contribution totaled \$2,766,001. Ty Lewis made a motion adopting the formula presented with a 5% increase/decrease cap on each member county premium contribution. Curtis Dastrup seconded the motion and the motion passed unanimously.

Robert Gardner made a motion adopting a maximum 3% available premium credit for compliance with the UACIM Risk Management Program. Ken Brown seconded the motion and the motion passed unanimously.

1997 UACIM BUDGET

Due to time constraints, the budget will be discussed at the next scheduled meeting.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held October 3, 1996, at 9:00 in the UAC offices.

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107
801.265.1331
801.265.9485 fax

UAC Insurance Mutual

Fax

To: Gary Herbert, Utah County Commissioner

Gerald Hess, Davis County Deputy Attorney

Robert Gardner, Iron County Commissioner

Sid Groll, Cache County Sheriff

Gary Sullivan, Beaver County Commissioner

Sarah Ann Skanchy, Cache County Council Member

Ty Lewis, San Juan County Commissioner

Ken Brown, Rich County Commissioner

Curtis Dastrup, Duchesne County Commissioner

Kent Sundberg, Utah County Deputy Attorney

From: Sonya White

Pages: 2

Date: September 11, 1996

Re: UACIM Board of Trustees Meeting

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Per Your Request

● Comments:

Please find the following agenda for the upcoming Board of Trustees meeting on September 13, 1996. For those Board members who will not be attending the USACCC Workshop, you can join the meeting via telephonic conference by calling 1-800-944-6239 at 8:15 a.m. (ask for Sonya White as the host). The Brian Head Resort does not have speaker phone capabilities so Brett Rich will be joining the call from the meeting.

MEMORANDUM

To: UACIM Board Members/Advisors
From: Brett Rich
Date: September 6, 1996
Re: 1997 Premium allocations

Enclosed are the sheets showing how the 1997 premiums would be allocated to each of the counties using the formula adopted by the Board on August 29, 1996.

The three sheets marked PREM.97I show separately the basis for the calculations for loss fund, excess insurance, and expenses. The legal size sheet, (PREM.97H), is a summary of the others showing primarily the premiums.

Please review this information in preparation for the Board Meeting at Brian Head at 7:30 a.m., Friday, September 13, 1996. Please keep all of this information confidential until after that meeting.

McLARENS TOPLIS
North America, Inc.

Adjusters and Surveyors

July 29, 1996

3100 Zinfandel Drive, Suite 200
Rancho Cordova, California 95670
Tel 916-631-1540 • Fax 916-631-1515

Mr. Brett Rich, Risk Manager
U A C I M
4021 South 7th East, Suite 180
Salt Lake City, UT 84107

RE: Claims Administration Proposal

Dear Mr. Rich:

This letter is a response to your recent phone call advising me of the proposed changes to take place regarding the insurance coverage for the UACIM Mutual. Based on that conversation, it is my understanding that you will be changing from AON Insurance Services to Gallagher & Associates as of January 1, 1997.

In February, 1995, we were retained by AON Insurance Services to provide a claims oversight function for the UACIM claims unit. At the current time we are in the process of also providing a new information system known as "LINX."

We have enjoyed the opportunity to work with both AON's insurance personnel, as well as that of the mutual. We would be pleased to continue in a claims role with your mutual when our agreement with AON is completed. Therefore, I will provide two proposals for two different claims options by way of a separate attachment to this letter.

Yours truly,



CURT HAMBY, J.D., A.R.M.
Branch Manager

CH:2045
Enclosures

UACIM CLAIMS PROPOSAL

July 29, 1996

OPTION I

We propose to offer services to your insurance mutual as a third-party claims administrator. We would be pleased to hire the existing staff of the present dedicated unit and to additionally provide claims oversight, as well as a claims information system. This could be provided for an annual cost of \$198,000.

If this option were to be selected by your pool, we would be pleased to hire the existing dedicated claims personnel as employees of our firm. We would allow them to serve you as a dedicated unit in Salt Lake City with claims oversight by Curt Hamby, Branch Manager, McLarens Toplis, Sacramento, California. The LINX information system would be generated by the McLarens Toplis home office in Chicago, Illinois.

Under this system, the claims manager would investigate and manage claims in Salt Lake City and report to the claims administrator in Sacramento. The claims administrator would provide oversight of the operation and regularly make visits to Salt Lake City for the purpose of auditing the claims operation, as well as assisting the claims manager on high potential claims or coverage issues.

It is anticipated that he would visit the Salt Lake office approximately eight weeks per year under this type of arrangement. McLarens Toplis presently provides this type of service to a number of mutuals throughout the United States.

Benefits to selection of this option might be as follows:

- a. The insurance mutual staff does not have to be directly involved with daily claims operation, but can devote themselves to risk management or other mutual activities.
- b. There is the appearance of less conflict with an independent third-party claims administrator handling this account since there are built-in conflicts between an in-house claims operation serving the mutual, the members, as well as the insurance carrier's best interest.

c. Hiring a third-party administrator to handle claims for the mutual removes them from having to deal with things such as adjusting, licenses, and claims E & O insurance.

d. Staff shortages can be immediately filled in by the third-party administrator.

UACIM CLAIMS PROPOSAL

July 29, 1996

OPTION II

If the insurance mutual chooses to hire their own claims staff in-house, McLaren's Toplis would be pleased to provide additional claims services such as:

- a. Claims oversight--annual cost \$27,500.
- b. Information systems--annual cost \$25,000.
- c. Additional staffing support when and if needed.

McLaren's Toplis has been providing claims oversight to the UACIM insurance mutual under a subcontract with AON Insurance Services for the past 18 months. As part of that claims oversight operation, McLaren's Toplis has agreed to regularly audit and review claims. This has involved periodic visits to Salt Lake City to audit claims in-house, as well as assisting on high potential claims, or coverage issues.

Typically insurance companies have either regional or home office supervision of local claims operations. Principally this is accomplished through correspondence and annual or semi-annual audits. This system has worked well for a number of years with most insurance companies and we believe it is suitable for insurance mutual operations also.

Under this program, the claims oversight consultant is available to review claims and offer advice on damages, complex liability issues, and coverage questions. In many cases this may prevent the assignment to coverage attorneys or provide additional support for whatever decision the claims department may make, or they may offer alternate suggestions.

This program can enable additional assistance for the claims unit in investigations, settlement negotiations, and/or evaluation of cases.

- a. It provides additional support for the claims manager in disputes with member district and/or the insurance carrier.
- b. It provides an ability to immediately audit claims as necessary for any particular issue that may arise. An example of that was an audit done

when the insurance carrier, AIG, questioned whether or not the claims unit was routinely ignoring legitimate policy exclusions and providing coverage where it was not warranted. A prompt and rapid audit of all of the open files, as well as some closed files, provided an audit to the excess carrier which was accepted and that issue was put to rest.

c. Provide an information system to keep track of all open and closed claims and provide all of the various components of claims handling necessary to track claims and to formulate statistical information for various purposes.

McLarens Toplis would be pleased to continue to provide this service for UACIM as they have been doing under subcontract with AON.

